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An Attempt to Ascertain the Magnitude and Fluctuations of the Amount of BILLS OF EXCHANGE (Inland and Foreign) in Circulation at one time in Great Britain, in England, in Scotland, in Lancashire, and in Cheshire, respectively, during each of the Twenty Years 1828-1847, both inclusive; and also embracing in the inquiry BILLS drawn upon Foreign Countries. By WILLIAM NEWMARCH, Esq.

[Read before the Statistical Society of London, 22nd April and 20th May, 1850.]

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I.—Introduction.

OF the four principal forms of currency to which in this country we are accustomed, namely—

- (1) Bank of England notes,
- (2) Country Bank notes,
- (3) Metallic money, and
- (4) Bills of Exchange,

we are able to trace the fluctuations and to ascertain the amount of the first *two* with great precision; of the *third* with some approximation to certainty; and it is only as regards the *last* (bills of exchange) that we are not in possession of any extensive and accurate collection of data.

From a consideration of this fact the present inquiry has derived its origin.

The object of the investigation on which I am about to enter has been to arrive at some knowledge of the statistics of *Bills of Exchange*, to collect together such facts and to institute such calculations as may enable us to speak with some degree of confidence of the *amount*, the *fluctuations*, and the *progress*, of this large and most important part of the negotiable paper circulating in this country; and to embrace within

the period of investigation a series of years which have been distinguished by the occurrence of several different phases of national and commercial prosperity.

I beg to observe, at the outset, that the present contribution is not to be regarded in any sense as a controversial tract on the question of the currency. I have nothing whatever to do in this place with the writings of the distinguished persons who have discussed that question, except to borrow from them whatever assistance they can render towards a kindred but perfectly neutral topic. It may possibly happen that the facts I have to state may be of some value in future discussions of the kind referred to—I hope they may. But my present business is not to anticipate the application of these facts, but to exhibit them in such a form and in such an order as will give them, if possible, the advantage of the greatest lucidity, combined with the greatest conciseness.

I propose to divide the inquiry into two principal sections.

In the *First Section*, I will endeavour to state, (1) what a bill of exchange is understood to imply in the course of this inquiry; (2) to point out some of the rules of classification, and to indicate some of the peculiar causes which regulate the influence and the distribution of different portions of the bill circulation; and (3) to exhibit in a consecutive and statistical form the amount and fluctuations of that currency during the several years embraced in this investigation; and also during the *periods*, and with reference to the *groups* into which, for reasons to be presently stated, those years, and the gross volume of the ill currency, have been distinguished.

In the *Second Section*, I will endeavour to extend and illustrate the materials contained in the first section, by bringing them into comparison with other statistical facts bearing an intimate relation, either as causes or effects, to the volume and vicissitudes of the currency of bills of exchange.

II.—*Definitions; Bases and Elements of Calculation; Mode of Procedure.*

Throughout the whole of this inquiry, I shall adhere to the received and established phraseology of merchants with reference to bills of exchange.

The scope of this investigation does *not* extend to *Ireland*. It embraces the whole of Great Britain. By an *inland* bill of exchange, therefore, I understand a bill drawn within the limits of *Great Britain*, and of course not entitled to circulate as a legal instrument unless bearing the stamp duty imposed by the present Stamp Act, passed in 1815 (55 Geo. III., cap. 184).

By a *foreign* bill of exchange, I understand a bill drawn upon *Great Britain* from some place *out* of the *United Kingdom*. I am aware of a technical practice, according to which bills drawn in Scotland and Ireland are held, in point of law, to be *foreign* bills. That practice, however, it will be convenient to disregard for our present purpose. Now, as the stamp duty on a bill of exchange is imposed only in the country or place where it is drawn, it is clear that, with reference to the whole mass of foreign bills drawn *upon* Great Britain, the returns of our Board of Inland Revenue can afford no assistance whatever; and as we proceed with our task, we shall see that one of the

difficulties least readily surmounted is precisely that which concerns the correct method of ascertaining the volume of the *foreign* bill currency.

The whole mass of bills of exchange constantly in circulation in Great Britain is composed of two unequal parts. The first, and by far the largest part, consists of bills *drawn and accepted* within the limits of Great Britain, and, as I have just said, therefore, of *inland bills*, valid only when impressed with a stamp duty. The other, and smaller part, consists of bills drawn *out* of the *United Kingdom*, but accepted, or made payable, within *Great Britain*, most commonly within the City of London, and not bearing any stamp duty which the records of any English office of revenue will enable us to estimate. These are *foreign bills*; and it will prevent a good deal of ambiguity if the exact meaning of these two terms of *Inland and Foreign bills*, as here defined, is kept very closely in view.

Now there is every reason to believe that scarcely any tax in this country suffers from so few evasions as the stamp duty on bills of exchange. It may not be the direct interest of the drawer in all cases that the instrument shall be written upon paper impressed with the full and accurate amount of duty; but there are at least three other parties interested in the transaction, to whom it is of the utmost possible moment that the requirements of the law shall be fulfilled. These parties are the acceptor, the endorser, and the payee; and it is pretty certain that the vigilance of parties concerned in these capacities does most effectually secure a full compliance with the Act of Parliament. It is satisfactory, therefore, at the outset, to know, that if the accounts furnished by the Stamp Office do actually contain the precise kind of information required, we have in those accounts a faithful outline of the extent and fluctuations of the currency of *inland* bills of exchange.

It becomes important, then, to ascertain what is the kind of information to be obtained from the Stamp Office; and we shall find that the form of return, to be of any practical use, will be somewhat elaborate.

The scale of duties is adjusted under the guidance of a twofold principle; first, the amount of duty has reference to the *amount* of the bill; and, secondly, it has reference to the *usance* of the bill. For example, a bill for 20*l.*, at two months' date, pays a tax of 2*s.*; and a bill for 50*l.*, at the same usance, pays a tax of 3*s.* 6*d.*; but, on the other hand, if the bill for 20*l.* be drawn at three months, instead of two, it pays 2*s.* 6*d.*, instead of 2*s.*; and, in like manner, a similar extension of the usance of the bill for 50*l.* raises the stamp upon it from 3*s.* 6*d.* to 4*s.* 6*d.* The most important feature of the scale, however, is, *that the duty increases mainly with the amount of the bill.*

It will be obvious, from this statement, that nothing beyond a very vague notion of the bill currency can be gathered from any Stamp Office return, which merely states the amount of revenue derived from the duty on bills of exchange *in one sum*, and which does not at least particularize the amount of revenue received under each of the thirteen rates of duty. It is also important that separate returns should be given for different districts of the country.

Supposing that such a return was actually rendered for any particular year, say for 1848, let us see what it would enable us to ascertain. We find from the schedule of rates, that a 3*s.* 6*d.* stamp, for instance, will cover a bill of from 50*l.* to 100*l.*, at *two months' date*,

and of from 30*l.* to 50*l.*, at *three months' date*; and suppose that the return informs us that, in 1848, as many as 10,000 stamps, of 3*s.* 6*d.* each, were sold in Great Britain, it is quite plain that, even with the aid of these important facts, we cannot arrive at any very precise conclusion as to the actual total amount of inland bills of exchange created by the sale of these 10,000 three-and-sixpenny stamps; and still less can we ascertain with any approach to certainty what was the average amount of such bills in circulation *at one time* during the year 1848. We cannot arrive at these results, because, in the first place, the legal range of the stamp is a very wide one, namely, from 30*l.* to 100*l.*; and, in the next place, we have no means of knowing how many of the bills were drawn at *less* than two months' date, and how many *beyond* it.

How, then, can the mere elements of the calculation rendered by the Stamp Office be turned to profitable account? Obviously, only by one method, and that method must consist in ascertaining, from a careful and systematic examination of a large number of real and *bond fide* bills of exchange drawn upon 3*s.* 6*d.* stamps, two facts, namely, (1) the average *amount* of each bill, and (2) the average *usance* of each bill.

If we suppose that these two additional facts have been established, the formula will then be complete, and it will assume a very simple shape, thus—Given that in 1848, there were sold, say, 10,000 stamps, at 3*s.* 6*d.* each, upon each of which a bill for, say, 46*l.* was drawn, at an average usance of, say, three months, what was the *total* and *average* circulation of such bills in that year?

Now, in a few words, the main object of this paper is to describe the methods I have pursued for ascertaining by actual observation those elements of the calculation by the aid of which alone the official accounts can be rendered of practical use.

The following is the schedule of stamp duties imposed by 55 Geo. III., cap. 184, divided into Three Groups. With reference to these groups, I shall presently have something more to say.

TABLE I.

Rates of Duty on Inland Bills of Exchange imposed by 55 Geo. III., cap. 184, (1815) and at present in force in Great Britain.

Stamps in Groups.	Two Months' Usance.		Above Two Months' Usance.	
	From £	To £	From £	To £
I. {	1 <i>s.</i>	2	5
	1 <i>s.</i> 6 <i>d.</i>	5	20	2
	2 <i>s.</i>	20	30	5
	2 <i>s.</i> 6 <i>d.</i>	30	50	20
II. {	3 <i>s.</i> 6 <i>d.</i>	50	100	30
	4 <i>s.</i> 6 <i>d.</i>	100	200	50
	5 <i>s.</i>	200	300	100
	6 <i>s.</i>	300	500	200
III. {	8 <i>s.</i> 6 <i>d.</i>	500	1,000	300
	12 <i>s.</i> 6 <i>d.</i>	1,000	2,000	500
	15 <i>s.</i>	2,000	3,000	1,000
	25 <i>s.</i>	3,000	above	2,000
	30 <i>s.</i>	3,000

III.—*Data employed in the present inquiry; Returns furnished by certain of the London Bankers and Bill-Brokers; Tabular Analysis of these Returns; Importance of the results obtained from them.*

Concerned practically, as I am, in the daily administration of a bank, I have been desirous for some time to ascertain with an approach to accuracy the extent and fluctuations of the currency of bills of exchange. I have once or twice endeavoured to obtain, through various channels, such a return from the Stamp Office as would effectually serve as the basis of an extensive inquiry; but, from one cause or another, I never had the good fortune to succeed. The publication, however, of the Appendix to the Report of the Committee of the House of Commons on Commercial Distress, appointed with reference to the financial crisis of 1847, in a great measure put me in possession of the data I had so long endeavoured to obtain. The Appendices Nos. 27 and 29 to that Report contain a detailed account of the revenue obtained from stamp duties on bills of exchange in *Great Britain, Lancashire, and Cheshire*, during the period from 1st January, 1830, to October, 1847. And combining this document with a Return contained in the Appendix No. 5 to the Commons' Report on Joint Stock Banks of 1837 (15th July, 1837, No. 531), a complete account is obtained of the sale of bill stamps in *Great Britain* for a period of twenty years, that is to say, from 1st January, 1828, to 31st December, 1847. I must mention, however, that I am indebted to the courtesy of Mr. Porter, the Secretary of the Board of Trade, for the figures required to complete the Return on the Commercial Distress Report, from October to December, 1847; for at the time when the calculations of which I am about to submit the results were undertaken, in the spring and summer of 1849, the Tables of Revenue, &c., for 1847, had not been published. I shall have occasion, further on, to give several specific references to the authorities upon which I have depended for my official facts; but these are the immediate circumstances which led to the preparation of the present paper.

Furnished with materials so complete from the Stamp Office, as to the *number* of bill stamps sold, and the *districts* in which they had been distributed, I became very soon convinced that the only satisfactory method of ascertaining the two remaining elements of the calculation, namely, (1) the average amount of the bills drawn upon each kind of stamp, and (2) the average usance of each of these descriptions of bills, was to obtain an extensive series of observations as to these two particulars, by the actual examination of a mass of *bonâ fide* bills of exchange in circulation, and so selected as to present a fair sample of the bill currency of the country. This could only be done by the assistance of some of the City bankers, having an extensive business, in which bills of exchange to a large amount pass through their hands. Through the kindness of Mr. Tooke, I was introduced to five very eminent firms in the City, distinguished for the extent of their business as bankers and as bill-brokers; and by the support and countenance which he gave to the request I ventured to make to each of these houses, I was furnished by them with certain statistical returns, containing the results of a careful examination of a portion of the bills in their respective bill cases. Without the facts which these returns

enabled me to ascertain, it would have been quite futile to have prosecuted the inquiry with any prospect of success; and I feel, therefore, that I am under the greatest obligation to the distinguished parties in question for the essential assistance they were good enough to render with so much courtesy and promptness.

The total number of bills of exchange (inland and foreign) included in the accounts rendered by these five houses, is as many as 4,367 bills, drawn for a total sum of 1,216,974*l*.

The details of the information obtained from the respective firms I have considered throughout to be strictly confidential, but it will be quite easy to describe the method of observation and the general results without any undue revelation of particular and confidential statements.

The following table is the copy of part of two pages of one of the banker's returns:—

TABLE II.

Bills, Inland, drawn on 3s. 6d. Stamps and at the following Dates, viz.:—

	One Month.	Two Months.	Three Months.	Four Months.	Five Months.	Six Months.	
	£	£	£	£	£	£	
....	34	48	49	
....	40	45	43	
....	70	35	46	
....	96	35	43	
....	61	50	48	
....	53	47	48	
&c.	&c.	&c.	&c.	&c.	&c.	&c.	
Total	200	1,305	7,702	3,102	171	412	12,892
Average Sum	200	108·7	77·0	54·4	85·5	68·6	72·4
Avrg. Usance	3·7
No. of Bills	1	12	100	57	2	6	178
No. of Months	1	24	300	288	10	36	659

It will be observed that this form is occupied entirely by bills drawn upon stamps of 3*s.* 6*d.* each, and contains separate columns for bills drawn at an usance of one, two, three, four, five, and six months; there are also calculations at the foot of the form for ascertaining, from the preceding entries, (1) the *total sum* represented by the whole of the bills; (2) the average amount of the bills at each usance; (3) the average usance of all the bills; and (4) the total *number* of bills enumerated at 3*s.* 6*d.*

Now to each of the five banking houses a schedule was delivered, properly ruled and headed, with a sufficient number of pages under each of the thirteen rates of stamp duty, and under the head of "foreign bills" (as bearing no British stamp), to contain the entry of about one thousand distinct bills of exchange. And it is important to point out, that the only things essential to the perfect accuracy of the return were, that the person employed to compile it should turn over

the bills placed before him one by one, and merely enter the amount of each bill on the page (3s. 6d., 4s. 6d., &c.) and in the column (1, 2, 3, &c., months) to which it might happen to belong. I have every reason to believe that the whole of the returns were filled up with great care, and that the facts they profess to represent may be accepted with entire confidence.

The calculations connected with each return were made under my own superintendence.

When the facts contained in the five Bankers' Returns were thus reduced, the result amounted to this—

That, by the actual inspection of 4,367 foreign and inland Bills of Exchange, representing the important sum of 1,216,974l., and taken at hazard from an immense mass of bills drawn in London, in the manufacturing districts, in Scotland, in the agricultural districts, and in foreign countries, the average number of Pounds sterling drawn upon each denomination of stamp had been ascertained, and also the average Usance.

And, as I shall have occasion to point out by-and-by, this was a step in the investigation which had not been previously accomplished in so extensive and systematic a manner. It then only remained to employ the average results founded upon the bankers'* and brokers' returns in the reduction of the data furnished by the Stamp Office. This was clearly a mere matter of calculation; but I confess that, if I had foreseen, before I undertook the task, the extent and severity of the labour it would impose, I am not at all certain that I should have ventured upon the inquiry. The employment of logarithms, of course, abbreviated the number of figures very much, and every precaution was taken to avoid errors, by the use of paper ruled in such a manner that each individual figure had a niche to itself, and by the enforcement of a system of checks. The following figures are copied from the calculations relative to inland bills in 1847, and the process followed in the calculation will be easily gathered from the tenour of the extract itself:—

Inland Bills.

EXAMPLE.

Stamps, 8s. 6d., for year 1847.—Great Britain.

43,628l. = amount of stamp duty received at 8s. 6d.

428.5l. = average sum borne by stamps of 8s. 6d. each.

3.07 = average usance of such bills in months.

.425 = decimal of 1l. corresponding to 8s. 6d.

Then, $43,628 = \lambda \frac{4}{3} \quad 6397653$

$\cdot 425 = \lambda \frac{1}{1} \quad 6283889$

5. 0113764

102,650 = No. of Stamps sold.

* In other parts of this paper I have referred to these Returns, for the sake of brevity, under the short title of "Bankers' Returns," but I am anxious that it should be clearly understood that under this title I include the five special Returns (four from Bankers and one from the leading Bill-Brokers' House in the City,) which, as in the text above, and in Table III., are sometimes described as "Bankers' and Brokers' Returns."

$$102,650 = \lambda \ 5\cdot0113764$$

$$428\cdot5 = \lambda \ 2\cdot6319508$$

$$7\cdot6433272$$

$$43987000\cdot = \text{in } \text{£s.}, \text{ total sum created.}$$

$$43987000\cdot = \lambda \ 7\cdot6433272$$

$$3\cdot07 = \lambda \ 0\cdot4871384$$

$$7\cdot1561888$$

$$14328\cdot = \text{in } \text{£s.}, \text{ the sum in circulation at one time.}$$

The general results arrived at by this somewhat formidable series of calculations will appear presently; in the meantime, we may conveniently refer to the following table (Table III.), which contains a general summary of the 4,367 bills recorded in the bankers' returns.

TABLE III.

General Summary of the Five "Bankers' and Brokers' Returns" specially furnished for the purposes of this Inquiry.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Stamps. — Inland Bills.	No. of Bills.	Average Usance.	Total Amount of Bills of each Stamp.	Average Bill.	Per Cent. of				Mr. Leatham's Scale.	
					Group.		Total.		Average Bill.	Usance.
					No.	Amount.	No.	Amount.		
	No.	Months.	£	£	Per Cent.	Per Cent.	Per Cent.	Per Cent.	£	Months.
1s.
1s. 6d. ...	138	2	2,095	15·2	14·9	9·6	3·1	...	18	3
2s.	323	2·9	6,215	19·2	34·9	28·5	7·4	...	23	3
2s. 6d. ...	464	3·1	13,438	28·9	50·2	61·9	10·6	1·3	28	3
(I.)	925	2·7	21,748	21·1	100·	100·	21·1	1·9	18·5	3
3s. 6d. ...	570	3·3	26,292	46·1	30·5	12·4	13·	2·3	50	3
4s. 6d. ...	630	3·7	47,096	74·7	33·8	21·8	14·4	3·8	96	3
5s.	366	3·6	57,472	157·	19·8	26·8	8·4	4·6	167	3
6s.	298	3·8	45	284·	15·9	39·	6·8	6·9	270	3
(II.)	1,864	3·6	215,505	140·4	100·	100·	42·6	17·6	145·7	3
8s. 6d. ...	358	3·9	153,429	428·5	48·1	21·9	8·4	12·5	460	3
12s. 6d. ...	227	4·	181,715	800·5	30·5	26·	5·3	14·8	875	3
15s.	100	4·1	149,777	1497·2	13·4	21·4	2·3	12·4	1540	3
25s.	27	4·1	70,127	2597·3	3·6	10·	6	5·9	2210	3
30s.	32	4·	144,169	4505·8	4·4	20·7	6	11·8	7000	3
(III.)	744	3·8	699,187	1965·8	100·	100·	17·2	57·4	2417	3
Inland...	3,533	3·4	936,440	265·	80·9	76·9
Foreign	834	3·2	280,444	336·2	19·1	23·1
TOTALS	4,367	3·4	1,216,884	278·6	100·	100·

[Note.—The only columns of this table which seem to require explanation are the four columns of *per centages*, (cols. 6, 7, 8, 9.) Thus, selecting the 3s. 6d. rate of duty, and reading from left to right, we find the following results.—There were 570 inland bills actually examined bearing 3s. 6d. stamps, having an average *usance* of 3·3 months each, representing a total sum of 26,292*l.*: and one with another drawn for 46·1*l.* each. These 570 bills were equal to 30·5 *per cent.* of the whole number of bills (1,864) contained in Group II., and were equal to 13· *per cent.* of the whole number of bills (4,367) contained in the entire table. And the *amount* (26,292*l.*) of the 570 bills was equal to 12·4 *per cent.* of the whole amount (215,505*l.*)

in Group II., and to 2·3 *per cent.* of the *total* amount (1,216,884*l.*) contained in the entire table. For bills at 3*s.* 6*d.* stamp, the researches of Mr. Leatham gave an average *usage* of three months, and an average sum of 50*l.* each. The employment of two sets of *per centages*—one set for the totals of each group, and a second set for the totals of the entire table—enables the reader to perceive at once what relation each part of the table bears to all the rest. For example,—the *number* of bills at 3*s.* 6*d.* is equal to 13 *per cent.* of the whole number of bills in the table; but the *amount* of the bills at 3*s.* 6*d.* is only equal to 2·3 *per cent.* of the whole amount contained in the table. The inference, therefore, is this—that where the number of observations at 3*s.* 6*d.* is so large a portion of the whole (13 *per cent.*) we may conclude that the results at 3*s.* 6*d.* are near the truth. The average *amounts* of each group (for example, 21·1*l.* for Group I.) are obtained in this table by taking the average of the averages composing each group. The object of the average amount of each group in this case is to indicate the general size of the bills composing it, and this could not be done if the average of the groups was found in the usual, and under other circumstances, the proper manner, of dividing the total results by the total number of the actual facts composing those results—*e. g.* Group I. by dividing 21,748*l.* by 925. It will be well, however, to point out in this place, once for all, that throughout the whole of this inquiry great care has been employed in the calculation of the *averages*, and in no case are the figures given as an average, the mere offspring of previous averages, but are the honest results of comparing *all* the facts with *all* the results. I beg to direct particular attention to this point.]

IV.—*Division of the whole Mass of Bills into three Groups, Reasons for such Divisions, and Uses of it; Bills employed in different Branches of Trade.*

It will be seen that this table (Table III.) is divided into three groups, with reference to the rates of duty; and as several of the subsequent conclusions will be found to depend in an intimate degree upon this classification of the rates of duty, it will be well to explain the reasons which led to its adoption before proceeding further.

In the first place, however, the following abstract (Table IV.) of the general summary already given (Table III.), may be conveniently introduced.

TABLE IV.

Abstract of the General Summary (Table III.) of the Returns furnished by the Five Banking Houses.

Groups.	Rates of Duty.	Legal Range.		By Bankers' Returns.			
		At Two Months, or Less.	Above Two Months.	Range.	Average Sum.	Average Usance.	
		£ £	£ £	£ £	£	£	Mths.
I.	{ 1 <i>s.</i> , 1 <i>s.</i> 6 <i>d.</i> , 2 <i>s.</i> , 2 <i>s.</i> 6 <i>d.</i> }	2 to 50	2 to 30	15·2 to 28·9	21·1	2·7	
II.	{ 3 <i>s.</i> 6 <i>d.</i> , 4 <i>s.</i> 6 <i>d.</i> , 5 <i>s.</i> , 6 <i>s.</i> }	50 „ 500	30 „ 300	46·1 „ 284·	140·4	3·6	
III.	{ 8 <i>s.</i> 6 <i>d.</i> , 12 <i>s.</i> 6 <i>d.</i> , 15 <i>s.</i> , 25 <i>s.</i> , 30 <i>s.</i> }	500 & above	300 & above	428·5 „ 4505·8	1965·8	3·8	

It will be seen that Group I. is confined to small bills, of which the utmost legal limit is 30*l.*; and the average amount, as ascertained by the bankers' returns, is 21·7*l.*, with an usance of 2·7 months.

The next group (Group II.) includes bills of a medium size, of which the highest legal limit is 300*l.*; and the ascertained average amount is 140*·*4*l.*, with an usance of 3*·*6 months.

The last group (Group III.) contains all bills above 300*l.*

Now the chief object of this classification is to obtain, if possible, some insight into the different causes which influence the extent and fluctuations of different portions of the bill currency; for it is very important to bear in mind that there is a most marked distinction to be drawn between several classes of bills; and that these lines of separation have reference chiefly to the magnitude of the bills themselves.

If I have succeeded in the arrangement of these groups, I have included in

(1). Group III. the bills which are drawn for considerable sums between merchants, producers and manufacturers, and wholesale dealers; and between importers and large consumers of raw material; or, speaking generally, between "merchants and dealers."

(2). Group II., in like manner, is intended to contain the class of bills drawn between houses of less extent of business, and wielding a less powerful capital, and also between large wholesale houses and the better class of retail dealers; in general terms, between "dealers and retailers."

(3). Group I. is meant to include the small bills which belong essentially to retail trade, and may be described with considerable propriety as drawn between "retailers and consumers;" or where the acceptor does not happen to be the actual consumer, still carrying on a business of so limited an extent that he is only one step above the class who do literally consume on the supply of their own personal wants the commodities they purchase.

The general result, therefore, is this—that, by the introduction of this arrangement into groups, we have before us, with more or less of completeness, the three great departments into which the trade of the country may be distinguished, with considerable propriety, namely:—

In Group III. we have the trade carried on by what are called "first hands," that is to say, importing merchants, extensive manufacturers, and the largest class of dealers.

In Group II. we have the trade carried on by what may be called "second hands," that is, by houses who supply themselves in a great measure from the importers and manufacturers, and, to a considerable extent, come in contact with the actual consumers. This group also includes "first hand" merchants, and manufacturers of comparatively limited capital and connexions.

In Group I. we have the retail trade of the country; such as shopkeepers, small farmers, dealers in cattle, and so on.

It will now be needful to undertake a short review of the history of the question to the present time.

V.—*Outline of the History of Bills of Exchange subsequent to 1770; small Bills of last Century.*

It is stated by Mr. Chitty, that bills and promissory notes were not assessed with stamp duty in England before 1782, when the

special exemption which had been created in their favour by the statute of 5th William and Mary, cap. 21, sec. 5, was repealed by the Act of 22 Geo. III., cap. 33, and a scale of duties was imposed, which was very rapidly increased by a series of Acts of Parliament, of which the last became law in 1815 (55 Geo. III. cap. 184).

Previously, however, to the date of the first revenue Act relative to bills and notes (22 Geo. III., cap. 33), the attention of the Legislature had been directed, in a somewhat special manner, to certain abuses of this species of paper credit, alleged to exist principally in the north of England.

For some time previous to 1775, when the number of country banks was exceedingly small, and the facilities afforded by their operations, and by the issue of local notes, had scarcely any existence, a practice seems to have gradually grown up, which led dealers and tradesmen of reputed substance to pay the wages of their servants, and some portion of the daily demands against them, in promissory notes of very trifling amount. When this custom had become in a measure established, abuses crept in, and considerable frauds were committed by the surreptitious introduction into the form of the instruments of conditional clauses, which very greatly impaired the remedy of the holder of the note against the issuer, in the event of its dishonour.

On the 27th March, 1775, the subject was brought before Parliament by Sir George Saville, who at that time represented the county of York; and in the course of his speech he stated several facts which, if they had come down to us in a less authentic form, we might with great reason have received only after some hesitation. In the short abstract of the speech of Sir George Saville, given in the Parliamentary History, he is said to have exhibited specimens of these notes, as low as a shilling and eighteenpence. I had heard it stated in Yorkshire that he actually exhibited a promissory note, with several endorsements, for *sixpence*. The record in the Parliamentary History is as follows:—"A.D. 1775, 27th March.—*Small Notes Bill*—Sir George Saville moved the House to go into committee to consider of the evil arising from the circulation in payment of notes of small value. Two witnesses were examined, and several of the notes were exhibited. Some of them *so low as a shilling or eighteenpence*. The evil seemed to be confined to certain trading parts of Yorkshire, where it had been productive of the most iniquitous consequences. A Bill was accordingly ordered to be brought in on the facts stated, to correct the evil complained of." (Parl. Hist., vol. 18, p. 74.)

The Bill here referred to became, in the course of that session, the Statute 15 Geo. III., cap. 51 (1775), subsequently continued by 17 Geo. III., cap. 30, and made perpetual by 27 Geo. III., cap. 16. The title of the first Act of the series in 1775 was "An Act to restrain the negotiation of Promissory Notes and Inland Bills of Exchange under a limited sum within that part of Great Britain called England;" and a few sentences from the preamble are worth quoting. For example—"Whereas various notes, bills of exchange, and drafts for money, *for very small sums, have for some time past been circulated or negotiated in lieu of cash* within that part of Great Britain called England, to the great prejudice of trade and public credit, and many of such bills and drafts *being payable under certain terms and restrictions, which the*

poorer sort of manufacturers, artificers, labourers, and others cannot comply with, otherwise than by being subject to great extortion and abuse." And the Act then proceeded to prohibit all notes and bills for less than *twenty shillings* under a penalty of 20*l.*, and the utter illegality of the instrument.

The next Act (17 Geo. III., cap. 30) extended the like prohibition from 1*l.* to 5*l.*, and recited that "the former Act had been attended with very salutary effects."

These measures of the Legislature were effectual in the accomplishment of their objects, and we find no more complaints of the prevalence of infinitesimal bills of exchange.

The comparatively small bills of exchange for sums ranging from 10*l.* to 30*l.*, and higher sums, which were so numerous in Lancashire and Yorkshire during the early part of the present century, had nothing in common with their somewhat discreditable predecessors. These bills were in great favour among the small manufacturers, and among dealers in wool, cattle, and corn. They were proverbial for their dirty appearance, the profusion of their endorsements, and for the much more valuable quality of being very rarely unpaid*.

Such is a very concise outline of a somewhat curious state of things in the early period of our modern and highly polished system of paper credit. I cannot here pursue the topic further; but it is every way deserving of a careful investigation. Nor can I do more in this place than merely refer to the very able and, considering the period when it was published, extraordinary treatise by Mr. Thornton on paper credit, which appeared in 1802†. If my space had permitted me to indulge in extracts from that treatise, I think I could have shown that Mr. Thornton, even in 1802, had arrived at conclusions with reference to a considerable portion of the paper currency of this country, and especially of bills of exchange, so accurate and comprehensive as, in a great measure, to anticipate fully many of the results which have been subsequently established by elaborate inquiry and discussion. I would also refer very markedly to the critique on Mr. Thornton's book, contributed by Mr. Horner to the first number of the *Edinburgh Review*.

VI.—*Opinions expressed by Lord Overstone and Mr. Burgess, and impliedly sanctioned by the Parliamentary Committee of 1832 and 1840, concerning Fluctuations in the Volume of the Bill Currency.*

I must pass over for the present the incidental discussions relative to bills of exchange which occurred in connexion with the bullion report of 1810, and the reports on cash payments in 1819, in order to allude to the bank charter report of 1832.

In the course of the examination, before the Bank Charter Com-

* "It is in the recollection of many persons that all the woollen business of the West Riding was conducted by Bills of Exchange at two months' date, as low as 5*l.*, drawn without stamps, with gold for wages, without the intervention of bank notes previous to the last war."—Leatham's Second Series of Letters on Currency, 1840, p. 38.

† An Inquiry into the Nature and Effects of the Paper Credit of Great Britain, by Henry Thornton, Esq., M.P. London, 8vo., 1802, p. 320.

mittee, of Mr. Henry Burgess (at that time the Secretary of the Association of Country Bankers), well known as the principal writer of a valuable periodical publication, called the "Banker's Circular," a very formal reference was made to the circumstances which determine the amount of bills of exchange in circulation; and Mr. Burgess expressed certain opinions which were subsequently adopted by one of the most distinguished writers of the present time on the subject of the currency,—Lord Overstone (at that time Mr. Jones Loyd). I have nothing to do here with the theoretical grounds of Mr. Burgess' opinions. I confine myself to pointing out what has been the nature of the impressions entertained recently by the highest authorities as to the amount and fluctuations of the bill currency.

In answer to Question 5,334, which inquired of Mr. Burgess—

"Is it the result of your experience that upon a contraction of the issues of the Bank taking place the amount of Bills of Exchange is also narrowed; and is it in the exact ratio, or in a very increased ratio?" That gentleman answered, "*It is in a very increased ratio.*"

This answer was followed by four elaborate questions and replies, in which it is regarded as certain, both by the examiner and the witness,—that, *as a contraction in the quantity of bank notes in circulation produces directly a much greater relative contraction in the volume of the bill currency*, the influence exercised by the Bank of England upon the trade of the country, in the way of contraction, can only be ascertained with correctness by adding the very large assumed contraction in the amount of bills of exchange to the ascertained moderate contraction in the quantity of bank notes. I beg to point out that, in the evidence before the Charter Committee, this conclusion is not adopted as a matter of hypothesis, but as a matter of fact.

When Lord Overstone was examined before the Committee on Banks of Issue, in 1840—and nothing can be more instructive than the whole of his Lordship's evidence on that occasion—the statements before the Charter Committee relative to bills of exchange were recalled to his notice. In Question No. 2,666, Sir Charles Wood inquired of Lord Overstone (then Mr. Loyd), "*Is the amount of bills of exchange dependent in some degree on the quantity of money?*" and the following answer was returned:—

"*I apprehend that it is dependent in a very great degree.* I consider the money of the country to be the foundation, and the Bills of Exchange to be the superstructure raised upon it. I conceive that Bills of Exchange are an important form of banking operations; and the circulation of the country is the money in which these operations are to be adjusted; any contraction of the circulation of the country will act, of course, upon credit. *Bills of Exchange being an important form of credit, will feel the effect of that contraction in a very powerful degree; they will, in fact, be contracted in a much greater degree than the paper circulation.* This point was adverted to in the inquiries of the Committee of 1832, and the question was put in a very pointed form to Mr. Burgess, the Secretary of the Country Bankers' Association; and I have therefore extracted the question put and his answer to it. '*Is it the result of your experience that upon a contraction of the issues of the Bank taking place the amount of Bills of Exchange is also narrowed; and is it in the exact ratio, or in a very increased ratio?*' '*It is in a very increased ratio.*' *I believe that answer to be perfectly correct.*"—Commons' Report, Banks of Issue, 1840, p. 213.

Any opinion adopted by Lord Overstone must always command the greatest attention; but we shall see presently how difficult it is to

determine upon general grounds of reasoning any conclusion in a case like the present, where we can only speak with confidence when the actual facts have been ascertained and are before us. Unless there is some radical error in the whole of the official data, it will appear that the effects produced by a limitation of bank notes are the exact contrary of those described by Lord Overstone and Mr. Burgess; and that with *fewer* bank notes, there are *not fewer* bills of exchange, but a great deal *more*.

VII.—*The Researches of Mr. Leatham relative to Bills of Exchange; Comparison of Mr. Leatham's data with the data of this Inquiry; Agreements; Differences of considerable moment in data and results.*

I now come to speak of the researches of, I believe, the only inquirer besides myself, who has hitherto attempted to construct a statistical table of the amount of bills of exchange created and in circulation during a given period.

Whatever merit may be due to directing, in the first instance, the attention of the public in a systematic manner to the bill currency, certainly belongs to the late Mr. Leatham, of Wakefield, for many years the able and esteemed head of the banking firm of Leatham, Tew, and Co., of Wakefield and Pontefract.

Mr. Leatham succeeded his father in the business of the banking house, and he was, in the most ample sense of the term, a man entirely conversant with the principles and details of his profession; he was a man also of enlarged views and an enlightened curiosity.

The results of Mr. Leatham's researches on the subject of bills of exchange were laid before the public, in three short publications, in the course of the years 1840 and 1841. The first of these works was a pamphlet of seventy pages, of which I copy the title in a note*, containing a series of letters, originally private, addressed to the present Sir Charles Wood, Bart., soon after the appointment of that gentleman to be Chairman of the Commons' Committee on Banks of Issue, in 1840. The first edition of this tract was very speedily exhausted, and a second impression was issued in August, 1840; it is called the "First Series" of Letters.

The second work was a pamphlet of thirty-nine pages, addressed to Mr. W. R. Wood, a Manchester merchant, chiefly with reference to the evidence given by that gentleman before the Banks of Issue Committee. This pamphlet was published in January, 1841, and did not reach a second edition; it is called the "Second Series" of Letters.

In June 1841, Mr. Leatham published, on a single sheet, a "General Table of the Currency of Great Britain and Ireland, 1832-1839" (Richardson, Cornhill). This table contains the most complete exhibition of the series of calculations undertaken by Mr. Leatham with reference to bills of exchange.

Mr. Leatham also forwarded to the Glasgow Meeting of 1840 of the British Association for the Advancement of Science a communication embodying the most important conclusions at which he had arrived.

* Letters on the Currency, addressed to Charles Wood, Esq., M.P. London, P. Richardson, 1840.

On the 19th October, 1842, this very excellent person died at Leamington, at the age of fifty-nine.

If his life had been prolonged for a few years, I believe it was his intention to have consolidated into a more permanent form, and materially to have extended, the publications I have mentioned.

I have been thus careful in referring to the labours of Mr. Leatham, because I am most desirous to award to him the praise which is justly his due, and because I am desirous to afford future inquirers the fullest means of comparing the method and the results of the present investigation with the method and the results of those which have preceded it.

And, in pursuit of the same object, I shall employ Mr. Leatham's own words in describing the procedure by which he arrived at his conclusions.

It appears that, as early as the year 1827, some calculations were instituted by Mr. Leatham relative to the bill currency, and were founded upon Stamp Office returns obtained by Mr. Marshall, at that time a Yorkshire member. (First Series, p. 4.)

I have already explained that the two vital elements in the calculation which determine—

(1) The average *sum* drawn upon each kind of stamp, and

(2) The average *usance* of the bills drawn upon each kind of stamp,—have been ascertained, *in the present instance*, by the systematic record, in a tabular form, of certain particulars collected from 4,367 bills of exchange, representing a sum of 1,216,974*l.* of actual capital engaged in trade and commerce.

I cannot gather from Mr. Leatham's writings that he settled the preliminary parts of his inquiry quite so carefully. I infer rather that he trusted to his great practical experience for the adjustment of an *a priori* scale of average *amounts* and average *usances*, and only referred to his own bill-case for points of confirmation. He says, "I have *assigned* to each stamp the amount of bill it will cover, *taking the medium*, and not the highest amount; and I have *supposed* the average of bills drawn to be at two months' date." (First Series, p. 5.) This statement seems to settle conclusively that the scale of averages was drawn out *a priori*; and the following passage confirms this impression: "The statement was carefully drawn up by the aid of my friend, W. W. Brown, Esq., of Leeds, and our joint cashiers. The proof may be referred to other bankers, but not to stamp distributors, who have not the banker's eye and experience in making the calculations, *nor can they refer to a mass of bills and take promiscuously to the amount of 100,000*l.* or 200,000*l.* for the purpose of ascertaining the average amounts drawn on each denomination of stamp, as well as the average date.*" (First Series, p. 9.)

If it may be inferred from this quotation that the amount of *bond fide* bills actually examined was "100,000*l.* or 200,000*l.*," it would appear that, with a basis, in the *present instance*, of 1,216,000*l.*, the extent of actual data upon which we proceed is about six times as great as that embraced in the researches of Mr. Leatham.

Mr. Leatham appears to have been more uncertain as to the average *usances* than the average *sums* of each kind of stamp. And it appears (First Series, p. 55) that, in finally fixing upon *three months*

as the average date, he was guided by "seven days' experience of the two leading bill-brokers in the City" (I presume Overend, Gurney, and Co., and Sanderson and Co.); and in fixing upon *one-sixth* of the inland bills as the amount of the *foreign* bills, he was also guided by a return obtained from Messrs. Overend, Gurney, and Co. He says, "I have to rest on the return kindly furnished by the leading bill-brokers' firm in the City of the result of seven days' business, and I find it is one-fifth; but in order to err on the safe side, I take it (*i. e.*, the proportion of *foreign* bills) at *one-sixth* of the whole of the *inland* bills." (First Series, p. 55.)

Referring back to Table III., at page 150, we shall find the scale of average *sums* and average *usances* determined by Mr. Leatham in the manner just pointed out, placed in juxtaposition with the same results as given by the five bankers' returns.

There are some important differences in the *average sums*; but decidedly the variation of greatest moment between Mr. Leatham's elements of calculation and my own, are in the columns of *average usances*.

Mr. Leatham adopts throughout an uniform period of *three months'* usance. On the other hand, the bankers' returns give a widely different result. From them we learn that the *usance increases progressively with the amount of the bill*; for example, that while bills of 20*l.* are drawn at *two* months, bills of 1000*l.* are drawn at *four* months.

It is this difference of usance which accounts chiefly for the very greatly-augmented sum in circulation at *one time*, as shown by the present inquiry, over that shown by the calculations of Mr. Leatham, and for a very obvious reason. For example, suppose that for any given year, say 1847, the investigations of Mr. Leatham and myself led to a common result, namely, that the total amount of bills created in that year was, say 500,000,000*l.*; now, upon Mr. Leatham's supposition that the average usance of these bills was *three* months (one-fourth of a year), the amount of bills in circulation at *one time* would be of course $(500,000,000 \div 4)$ 125,000,000*l.*; but if, on the other hand, there was good reason to conclude (as there is good reason to conclude) that the average usance is *longer* than three months, say *four* months (one-third of a year), then, with a total volume of bills created equal to 500,000,000*l.*, the amount in circulation at *one time* would be $(500,000,000 \div 3)$ 166,666,666*l.*, or 41½ millions sterling *more* than the result arrived at by Mr. Leatham from data precisely the same as my own, in everything except the element of the *usance*.

And I would beg to refer to this hypothetical illustration as showing very forcibly the necessity of ascertaining the *average usance* with every possible degree of care, and also as indicating that which is perhaps one of the most useful results of the present investigation, namely, the employment, for the first time, of an extensive series of recorded observations for the resolution of this question of usance.

I am happy to say that the differences between the columns of average sums are not so important as to deprive the scale compiled by myself from the bankers' returns of the benefit of being confirmed in several places by Mr. Leatham's figures.

The following abstract will show these results in greater detail:—

TABLE V.

*Scales of Average Sums and Average Usances.**Mr. Leatham's Scale More or Less than Scale founded upon Bankers' Returns.*

Average Sum.		Average Usance.		Stamps.	Average Sum.		Average Usance.	
Mr. Leatham.	Bankers' Returns.	Mr. Leatham.	Bankers' Returns.		Mr. Leatham.		Mr. Leatham.	
					Less.	More.	Less.	More.
£	£	Months.	Months.		£	£	Mths.	Mths.
18.	15.2	3	2.	1s. 6d.	2.8	1.
23.	19.2	3	2.9	2s.	3.81
28.	28.9	3	3.1	2s. 6d.	.91
50.	46.1	3	3.3	3s. 6d.	3.9	.3
96.	74.7	3	3.7	4s. 6d.	21.3	.7
167.	157.	3	3.6	5s.	10.	.6
270.	284.	3	3.8	6s.	14.8
460.	428.5	3	3.9	8s. 6d.	31.5	.9
875.	800.5	3	4.	12s. 6d.	74.5	1.
1540.	1497.2	3	4.1	15s.	42.8	1.1

The agreement between the scales of average sums is very close up to the rate of duty of 3s. 6d.; but beyond that point, the differences become considerable; and the figures adopted by Mr. Leatham are, with one exception (6s.), *greater* in amount than my own.

The general conclusion, therefore, is this, that, comparing the present inquiry with the inquiry conducted by Mr. Leatham—

(1) Mr. Leatham's scale of average *sums* was *higher* than my own; and

(2) Mr. Leatham's scale of average *usances* was *lower* than my own.

In spite, however, of the *higher* money amounts assigned to each bill by Mr. Leatham, the corrected Usance followed by myself has led me throughout to assign a higher figure than Mr. Leatham to the average bill circulation of each of the years to which his calculations applied. Thus—

Inland Bills in Circulation at one time in Great Britain during the Years as under.

Years.	Mr. Leatham.	Present Inquiry.	Present Inquiry. More.
	£	£	£
1835.....	73 millions.	83 millions.	10 millions.
1836.....	88 "	105 "	17 "
1837.....	83 "	95 "	12 "
1838.....	85 "	97 "	12 "
1839.....	98 "	113 "	15 "

A few sentences more will suffice to point out the further features of difference between Mr. Leatham's investigation and the present.

Mr. Leatham's tables extended from 1832 to 1839 (both years inclusive), and embraced a quarterly return for each year. The table, however, embodying these results, applied to the *United Kingdom*

only. For some of the years (1832-39), Mr. Leatham gave the figures separately for *Great Britain*. That gentleman did not extend his inquiry at all to bills *on foreign countries drawn in any part of the United Kingdom*; nor did he attempt any classification of the *inland* bills into groups or periods; nor found any general trains of reasoning upon the facts developed by his own tables; nor generally profess to do more than direct the attention of the public to the important fact, that the currency of bills of exchange very greatly exceeds in amount all other descriptions of currency put together, and in this he perfectly succeeded.

I have only to add, in this place, the following figures, extracted from the General Table of the Currency, published by Mr. Leatham, in June, 1841:—

TABLE VI.

Total Amount of Bills, Inland and Foreign, in Circulation at one time in the United Kingdom during the Quarters ended as under, according to Mr. Leatham's Tables.

Quarters ended	Total Bills.	Quarters ended	Total Bills.
	£		£
5th April, 1832.....	93,555	5th April, 1836	112,874
5th July, „	87,995	5th July, „	113,874
10th Oct. „	87,204	10th Oct. „	134,003
5th Jan. 1833.....	87,475	5th Jan. 1837	128,033
5th April, 1833.....	90,440	5th April, 1837	128,079
5th July, „	88,002	5th July, „	110,825
10th Oct. „	91,952	10th Oct. „	111,741
5th Jan. 1834.....	114,426	5th Jan. 1838	103,936
5th April, 1834.....	95,880	5th April, 1838	112,166
5th July, „	91,118	5th July, „	113,413
10th Oct. „	97,467	10th Oct. „	124,895
5th Jan. 1835.....	95,839	5th Jan. 1839	114,131
5th April, 1835.....	98,480	5th April, 1839	128,162
5th July, „	101,527	5th July, „	129,278
10th Oct. „	103,789	10th Oct. „	139,924
5th Jan. 1836.....	101,758	5th Jan. 1840	130,824

The three 000 at the unit end of each of these sums are omitted; thus £93,555 must be read £93,555,000. In several other Tables in this paper the same arrangement is followed.

VIII.—*Descriptive Outline of the manner in which the Circulation of Bills of Exchange is regulated and promoted by the Banking System of London and the Provinces.*

I will now endeavour to give some account of the delicate and widely-ramified system which regulates the distribution and modifies the influence of the bill currency.

In the first place, however, it may be desirable to say a few words on the general principles of the question.

If we consider with care the peculiar functions of (1) *a bank note*,

(2) a *cheque*, and (3) a *bill of exchange*, we shall find that the fund against which the bank note and cheque are issued is in such a form that the bank note and cheque can be discharged in legal money at the moment of their presentation; and that the fund against which the *bill of exchange* is issued is not in such form, but in a form which will only admit of the liquidation of the bill of exchange after the lapse of a certain period of two, three, four, or six months, or perhaps longer. The foundation of the bank note and cheque is a portion of floating capital in a perfectly *ready* state, if I may be permitted to use that word; and the foundation of the bill of exchange is a portion of floating capital in an *unready* state, more or less. Further, the portion of *ready* capital which is the foundation of the bank note and cheque, consists of actual lodgements of coin and of ordinary bankers' deposits, that is, of capital which we can only express in terms of money, and which, by a convenient but somewhat-bewildering fiction, is supposed to be always in the form of actual money. On the other hand, the portion of floating capital which is the foundation of bills of exchange consists most commonly of commodities which are in course of transit to the consumer, and out of the proceeds of the sale of which commodities the liquidation of the bill of exchange is to be accomplished.

If we carefully attend to these distinctions, I think we shall not hesitate to adopt some such classification of the constituent parts of the whole volume of negotiable instruments at present in use in this country as the following:—

- | | |
|---------------|----------------------|
| 1. Coin | 4. Bills of Exchange |
| 2. Bank Notes | 5. Ledger Accounts; |
| 3. Cheques | |

and to admit the substantial correctness of a doctrine which teaches, in effect, that (1) coin is the small change of bank notes, (2) bank notes the small change of cheques, (3) cheques the small change of bills of exchange, and (4) bills of exchange the small change of transactions of barter, the record of which is contained in a ledger, and the adjustment of which is accomplished mainly by the process of set-off: *That, in point of fact, cheques are bank notes drawn against deposits, and bills of exchange are cheques drawn against commodities.*

If this reasoning be correct, it is plain that, when we speak of the *discount* of a bill of exchange, we mean that a portion of the floating capital of the country, in its *ready* form, has been advanced to, say A. B., upon the security of another portion of the floating capital of the country, in its *unready* form. And it is clear that, in the progress of national wealth, the *unready* form of capital precedes that which I have ventured to call *ready*; that the *ready* is the surplus of profit accruing upon the *unready*, and of the portion of increase arising out of *fixed* capital not consumed by the recipients of that increase.

It is also clear that the extent to which advances can be made upon bills of exchange—in other words, the extent to which bills of exchange can be *discounted*—at any given time, is governed by two principal causes: (1) by the total amount of *ready* capital in existence; and (2) by the extent of the demand for ready capital for other purposes, such as loans to governments and landholders, the construction of railways, houses, and so on.

If we examine the system of banking, especially of *Country* bank-

ing, as it has grown up in Great Britain during the last sixty or seventy years, we shall be able to divide the functions of country bankers into two very distinct classes. (I.) In the first place, we shall find that the country bankers are very intimately connected with the control and supply of the requirements of their local circle for ready capital; that is to say, that, in the majority of cases, the most important part of the business of a country bank arises out of the demands for advances and discounts of applicants in its immediate neighbourhood; and this may be called the *internal* part of the country bank system. (II.) In the second place, we shall find that a scarcely less important part of a country banker's business consists in aiding the distribution of ready capital over the country, carrying such capital from the districts where it abounds, or rather where it is in excess of the local demand, to districts where the local demand for ready capital exceeds the local supply; and we may call this the *external* part of a country banker's functions.

Now it has happened that what I have here ventured to call the *internal* province of banking has received more attention from the public and from writers on the currency, and I believe is generally much better understood, than the *external* province; and yet I am by no means sure that, as an auxiliary to the progress of public wealth and industry, the *external* is not a more important part of the general credit system of the country than the *internal* functions of a banker.

A country bank, enjoying a high degree of credit, and skilfully administered, may be said, with great justice, to be the centre of the movements of ready capital within its local circle; and it may be also said, with equal justice, that what the country bank is to its immediate neighbourhood, the bill-brokers and city bankers of London are to the whole of the banking institutions of the United Kingdom. And there cannot be any doubt that the early establishment in London of a central focus, from which the whole banking economy of the island was, in a great measure, preserved in harmonious action, by the skilful adjustment of opposite wants, through a common medium, has been one of the principal causes of the rapid developement of our trade and resources during the present century.

Now, for our present purpose, it is interesting to know that a very considerable—I may say the most considerable—part of the operations connected with the *external* functions of country bankers, is conducted through the medium of *bills of exchange*, in a mode which I will endeavour to describe as briefly and plainly as possible.

In certain parts of the country, chiefly the agricultural counties, the deposits, that is, the ready capital lodged with bankers by local constituents, very greatly exceeds the demand for advances and discounts of a legitimate character by the same local constituents. Then, in these districts, there is a surplus of ready capital over and above the local requirements; and of this surplus, if the country banker cannot find employment for it elsewhere, it is plain that he cannot profitably take charge—at all events, that he cannot pay any interest for its use.

In certain other parts of the country,—namely, those counties and towns conspicuous as the seats of manufactures, mining, and commerce,—the local deposits of ready capital with the bankers are insufficient to satisfy the local demand for advances and discounts.

Here, therefore, the inconvenience is of a character exactly the opposite of that which we have seen to prevail in the agricultural districts.

Now, by what means are the wants of these different parts of the country easily, completely, and profitably satisfied?

By a very simple, but a very perfect, arrangement.

There are in London certain large dealers in money, called Bill-Brokers, who act as bankers of deposit for all the country bankers, and for most of the London regular bankers; who also receive in deposit the floating funds of insurance companies; and generally the funds of any person or persons having the command of considerable amounts of ready capital, or, to use the incorrect phraseology of the day, of large amounts of "ready money." These bill-brokers are also in constant communication with the merchants whose bills they discount, and whose legitimate wants it is their business, in a great measure, to supply.

Now let us observe the way in which the bill-brokers conduct their business.

B, a banker at Lincoln, for example, has a surplus of 50,000*l.* over and above the local demands of his circle. He is also in the constant habit of requiring bills of exchange of certain usances, and of certain amounts to meet the applications of some of his customers, who employ bills of this description in the course of their trade. It is true that B may have in his bill-case a great number of bills of exchange fulfilling these conditions of date and size, and these bills may have been received by him from his local constituents to whom he has advanced the amount in one form or another. They are, therefore, fully his property; and legally there is no reason why he should not immediately re-issue them, if he finds occasion to do so. But against this re-issue there are two conclusive banking reasons: (1) it would, in the first place, indicate that he was poor, because he could not afford to wait until the bills became due; and (2), in the next place, it would disgust his customers by revealing their transactions to rivals in the same branches of business. The bills *locally* discounted cannot, therefore, be *locally* re-issued. The expedient, which removes the difficulty, then takes the following form:—The 50,000*l.* of surplus is sent to a London bill-broker, with a request that he will send to Lincoln bills of exchange of a certain character to the extent of that sum, *plus* the amount of discount, at the rate of the day, due by him upon the transaction; for it must be remembered that B sends 50,000*l.* in *cash*, and receives in exchange 50,000*l.* in bills due some months hence. In fewer words, the Lincoln banker *discounts* 50,000*l.* of bills for the London broker, and the London broker takes care to send to Lincoln bills which have been created in a totally different part of the country—many of them foreign bills—all of them certainly of such a kind that no Lincoln tradesman will be anything the wiser when they come into his hands.

Now it is obvious that this transaction between Lincoln and London accomplishes four things:—(1). The Lincoln banker obtains employment, at the current rate of interest, for his surplus of 50,000*l.*; (2). He obtains in exchange for his money a legitimate banking security, in the form of good bills of exchange, of various amounts, falling due within short and limited periods; (3). The London bill-

broker receives a supply of 50,000*l.* of what is equivalent to cash, with which he can discount a further amount of bills for the merchants; and, finally (4). A bill currency is introduced into Lincoln, perfectly adapted to its wants, and perfectly free from the inconvenience of disclosing local transactions to local competitors.

If we pursue our narrative of the circumstances connected with this supposed operation, we shall become acquainted with most of the facts which concern us at present.

There are three principal modes in which the payment of debts arising in the internal trade of the country are accomplished. In the *first* place, a *buyer* in good credit may have no difficulty in placing his account upon the footing of a book debt, where he is debited with what he purchases from time to time, and credited with what he pays from time to time. In the *second* place, a *buyer* may pay his debts by remitting approved bills of exchange due at the end of some stipulated period—most frequently two, three, or four months; and, *finally*, a *buyer* may undertake to *accept* the bills *drawn* upon him by the *seller*.

It is in carrying out the *first* and *second* of these modes of payment that the *circulation* of bills of exchange is chiefly promoted; and in carrying out the *third* of these modes that the *creation* of bills of exchange chiefly takes place.

To return to the supposition of 50,000*l.* invested in bills of exchange by the Lincoln banker:—

Whatever portion of these bills passed out of the hands of the banker into further circulation would do so as payments and remittances for purposes of trade. A Lincoln tradesman or farmer has brought cattle or goods upon the terms of “a good bill at three months,” and the farmer or tradesman purchases this bill of the banker, retaining the allowance of discount due upon it as an addition to his profit upon the purchase for which the bill is intended to pay. And even if the bill ceases to circulate after being employed in this transaction, it is important to bear in mind that it will have accomplished seven distinct transfers of value. First of all, it conditionally discharges the claim of the drawer upon the acceptor; (2) it then discharges the claim of the payee upon the drawer; (3) then of the bill-broker upon the payee, supposing the payee to discount the bill; (4) then of the Lincoln banker upon the bill-broker; (5) then of the farmer or tradesman upon the Lincoln banker; (6) then of the dealer in goods or cattle upon his Lincoln customer; and (7), if we suppose the bill to be finally sent for payment by the banker of the dealer to that banker’s London correspondent, a seventh transfer would be effected.

I believe that this statement may be received as an accurate outline of the transactions into which a very large portion of the bills of exchange *created* and *accepted* in this country, habitually enter—more particularly of that vastly preponderating part of the bill currency which passes through the hands of the London brokers.

The progress of time and the interests of numerous classes of persons have conspired to impart a high degree of ingenuity and delicacy to the whole economy of the bill circulation. There is, for example, a very nice apportionment of different kinds of discount business to different

houses. A very efficient system is in operation, by means of which the endorsement of bills, from merchants to brokers, and from brokers to bankers, and *vice versâ*, is dispensed with, and the object of this system is to keep as secret as possible the uses to which the bill may have been applied as a security for money lent or borrowed. It would be erroneous, therefore, to suppose that the extent to which a bill of exchange may have circulated is always accurately indicated by the number of endorsements upon it. There is a very complete system of correspondence between the merchants and bankers in the manufacturing and commercial towns where bills of exchange are chiefly created, and the London money market; and, lastly, the plan of rediscounting in London a certain portion of the bills discounted locally, pursued by some of the provincial banks, is carried out with great skill and circumspection by all the parties concerned.

The mercantile houses in London, engaged as wholesale dealers in Manchester and Birmingham goods, and in colonial produce, have always in progress towards maturity an immense number of what are called "small bills," that is, of bills from 20*l.* to 150*l.* drawn upon country dealers and shopkeepers. The usance of these bills is very generally four months. And at certain periods of the year the quantity of these bills is very great. The bills, for example, that are drawn in March, in payment of the summer supply, fall due in July; those drawn in July, preparatory to the autumn, fall due in November; and those drawn in November, in anticipation of the Christmas settlements, fall due in February. With this explanation it is easy to understand why the fourth days of July, November, and February, the days on which these masses of country bills fall due, are among the busiest that happen in the city of London. As a general rule, it is these small bills, of from 20*l.* to 150*l.* each, which enter most actively into the bill circulation of the island, by means of the bankers in the comparatively non-trading counties. We have already seen, for example, how it is convenient for a banker at Lincoln to invest, say 50,000*l.* of his surplus cash in bills of this description. And this skilful redistribution of the bill currency of the country is one of the greatest achievements of our banking system.

We must not, however, conclude too hastily that this perfect machinery of credit has grown up within the last few years. A conclusion of that kind would be exceedingly erroneous. The treatise by Mr. Thornton, published in 1803, shows very clearly that even, at that time, the economy of banking was in a very perfect state; and if we examine the evidence given by Mr. Thomas Richardson*, an eminent bill-broker of that time, before the bullion committee of 1810, we shall find that even our latest refinements have done little more than preserve a system even then very nicely adjusted.

Mr. Richardson was asked, "What is the nature of the agency for country banks?" and he gave in reply the following answer:—"It is twofold; in the first place, to procure money for country bankers on bills, when they have occasion to borrow on discount, which is not often the case. And in the next place, to *lend* the money of the country bankers on bills on discount. The sums which I *lend* for country bankers on

* The founder or precursor of the firm of Overend and Co. At one time, if not originally, the style of that firm was Richardson, Overend, and Co.

discount are *fifty* times more than the sums *borrowed* for country bankers." Now this is a description which applies with as much justice at present as it could do in 1810. In substance, Mr. Richardson meant to say that he received deposits of cash from country bankers and others, in exchange for which he sent them bills of exchange; and that sometimes he rediscounted for country bankers the bills discounted by them for their local customers, and which bills, from some cause or other, the banker desired to turn into cash.

IX.—*Estimates, Statistical and General, of the Amount of the Funds employed in the London Money Market, and at the command of the Provincial Bankers; and also of the Amount of Bills of Exchange constantly under Discount in London and in the Provinces; Series of Tabular Estimates and Statements.*

If I have succeeded in making myself intelligible in the exposition just concluded, it will be apparent that the fund constantly employed in the discount of bills of exchange may, in the first place, be divided into two principal parts, namely:—

I. The fund collected in London, and administered chiefly by the Bank of England and the London bill-brokers; and,

II. The fund remaining in the hands of the Country Bankers, and employed by them in meeting the demand for discounts within their local circles.

It will further be apparent, in the second place, that by far the most considerable of these two funds is that which is collected in London; and that the sources from which the *London discount fund* is derived admit of some such classification as the following, viz.:—

(1). Part of the circulation and deposits of the Bank of England.

(2). The deposits of the country bankers with the London bill-brokers.

(3). Part of the deposits held by the London bankers.

(4). The deposits of assurance companies and other parties with the London bill-brokers.

Now, assuming the correctness of this mere outline of the facts, and I believe that it may be assumed with great safety to be correct in the general form in which it is here employed, I have been desirous to settle, as far as possible, one or two questions of considerable theoretical interest and of some practical moment.

(1). In the first place, it would be very satisfactory if we could ascertain what amount of bills of exchange are always under discount in Great Britain; that is to say, what amount of ready capital is constantly employed in advances to merchants and traders upon the security of bills of exchange, or, what is almost the same thing, upon the security of commodities.

(2). In the next place, it would be very satisfactory to know what portion of this total sum is advanced in Scotland, what portion in the provincial districts of England, and what portion in London. If we could ascertain this, we should be able to estimate numerically the influence which the money market of London exerts over the whole country, and also to estimate numerically the influence which the Bank of England exerts over the money market of London.

(3). In the third place, it would be extremely useful if we could

arrive at some reasonably-safe estimate of the amount of ready capital wielded by the *Country* and by the *London* bankers.

(4). And, finally, it would also be extremely useful if we could be enabled to form a somewhat exact opinion of the amount of the floating balances held in London by Assurance companies and other wealthy corporations and persons.

I cannot hope, and I do not pretend, to answer any of these questions dogmatically; but I have taken some pains to arrive at an approximate estimate with reference to each; and, at all events, I will undertake to describe the whole data upon which I found my reasoning, and the whole process by which I arrive at my conclusions.

The results of the present inquiry have clearly put me in possession, with a tolerable degree of accuracy, of one of the first and most important elements in the investigation, namely, the amount of bills of exchange in existence at one time in the whole of Scotland, the whole of England, and the whole of Lancashire. As we know that some bills are *not* discounted, the amount, therefore, of bills in existence, is of course greater than the amount of the funds employed in the business of discounting. Now what is the ordinary amount of bills in existence at one time, as shown by the calculations of the present paper? The following statement will answer this question:—

TABLE VII.

Total Average Amount of Bills in Circulation at one time during the Years 1843-46, as shown by the calculations of the present Paper.

	£
In Scotland (Inland Bills)	18,000,000
In Lancashire "	12,000,000
In rest of England "	70,000,000
	<hr/>
	100,000,000
Foreign Bills	16,000,000
	<hr/>
	116,000,000

The next question that occurs is,—What portion of this gross sum of 116,000,000*l.* of bills of exchange is *not* discounted? I am sorry to say that the only answer that can be given to this inquiry must proceed altogether upon estimate. My own estimate is as follows. I arrange the figures, first, in the more convenient form of an

(TABLE VIII.)

Estimate of the Amount of Bills of Exchange under Discount at one time in Great Britain.

	£
In Scotland (Inland Bills)	15,000,000
In Lancashire "	12,000,000
In rest of England "	60,000,000
	<hr/>
	87,000,000
Foreign Bills	13,000,000
	<hr/>
<i>Total under Discount at one time</i>	100,000,000
Leaving, as the amount of Bills and Notes <i>not</i> discounted by the holders of them	16,000,000
	<hr/>
<i>Total Bills in Circulation</i>	116,000,000

Now, upon the suppositions expressed in these figures, the amount of bills and promissory notes *not* discounted will be as follows:—

	£
In Scotland (Inland Bills)	3,000,000
In Lancashire "
In rest of England "	10,000,000
	<hr/>
	13,000,000
Foreign Bills	3,000,000
	<hr/>
Total Bills <i>not</i> Discounted.....	16,000,000

I have assumed that the whole of the 12,000,000*l.* shown to be created in *Lancashire are discounted*, because, as I shall have occasion to explain presently, it is quite certain that the Stamp Office returns do not enable us to ascertain the real amount of bills created in that county by a mere reference to the sale of stamps within it.

At first sight, 16,000,000*l.* may seem to be a large amount for the quantity of bills and promissory notes which are *not* discounted; but reasons can be given which at least weaken the force of the first impression.

It must be remembered that a considerable portion of the bills and promissory notes created are intended to serve legal rather than commercial purposes. Of this nature are most of the joint and several promissory notes given to bankers and private persons for temporary loans of money: and obligations of this nature are exceedingly common in the agricultural districts. Further, with many firms of ample capital and long standing it is a sort of point of honour never to part with a bill after it comes into their possession until the time of its maturity. On the whole I am inclined to believe, that if the estimate of 16,000,000*l.* errs at all, the fault is more likely to be one of *under* statement than the contrary.

We have arrived, therefore, at the conclusion that it is very probable that the amount of bills of exchange (inland and foreign) constantly under discount, at one time in Great Britain, is 100,000,000*l.* Now, what are the sources from which this large sum is obtained; and what portion of it is contributed by the provincial and what by the London dealers in money?

We will first inquire into the Provincial part of the question.

In England and Wales, exclusive of London, but including the circle of sixty-five miles round London, within which country-bank notes are forbidden, there are at present about 900 Bank Offices; not separate banking firms, but 900 places where the business of banking, either by means of a central office or a branch office, is daily carried on. After considerable inquiry and reflection, I believe that one with another the amount of capital of all kinds employed by these 900 bank offices is certainly as much as 100,000*l.* each. When I say capital of all kinds, I mean the private capital of the partners and shareholders of the banks invested in their business; the capital placed in the banks by depositors, and by those who keep banking accounts; and the capital acquired by means of the circulation of country-bank notes. For the month ended 29th December, 1849, the amount of country notes in circulation in England and Wales was

6,140,913*l.*, divided among the 900 offices, an amount of capital equal to 6,830*l.* would fall to the share of each office as obtained from the circulation alone. The *private* capital employed in the business of banking in the country is very considerable: and the deposits are also in a great number of cases of surprising extent.

In Scotland there are about 360 bank offices; and I estimate the amount of capital of all kinds employed by them at 100,000*l.* each, the same as on the south side of the border. I confess, however, that as regards Scotland I am not able to speak with the same confidence as with reference to the southern division of the island.

During the four weeks ended 29th December, 1849, the amount of Scotch bank notes in circulation in Scotland was 3,242,448*l.*, or equal to an average sum of 9,000*l.* to each of the 360 bank offices.

In Ireland there are about 170 bank offices; and the Irish circulation of 4,634,503*l.* gives an average sum of 26,900*l.* to each. And it is probable that private capital and deposits raise the average to 100,000*l.*

The following, therefore, will be the recapitulations:—

			£
900 Bank Offices in England and Wales at about 100,000 <i>l.</i> each, or say.....			97,000,000
360 ditto, Scotland ditto			36,000,000
1,260			133,000,000
170 ditto, Ireland ditto			17,000,000
1,430			150,000,000

This sum of 133,000,000*l.* constitutes the gross amount of capital employed in the business of banking in the provincial districts of Great Britain; and, of course, out of this sum of 133,000,000*l.* the bankers have to provide the funds employed: (1) in advances to their customers: (2) in the purchase of government and other securities: (3) in the maintenance of a sufficient reserve of coin and Bank of England notes: (4) in the retention at their credit in London of an adequate floating balance: (5) in investments in bills of exchange procured in London upon the plan pointed out above on the supposed case of the 50,000*l.* from Lincoln: and (6), finally, in the discount of the local bills of their own local connexion.

Still speaking of *Great Britain*, exclusive of London, the following statement will recapitulate these particulars, thus:—

Estimate of the Proportion of the Gross Banking Capital of Great Britain (exclusive of London) employed in the Principal Divisions of the Business of Banking, namely:

		£
In advances to Customers; Balances in London; Government Securities; Coin and Bank Notes		81,000,000
In Investments in Bills of Exchange obtained from London		30,000,000
		111,000,000
In the Discount of Local Bills—		
England and Wales	£12,000,000	
Scotland	10,000,000	
		22,000,000
		133,000,000

The estimate of 10,000,000*l.* for bills locally discounted in Scotland is made with reference to the peculiarity in Scotch bills of making them payable *not* in London, a circumstance which confines them very much to their own circle.

According to this estimate the amount of capital contributed by the provincial bankers to the London money market is 30,000,000*l.*, namely, the extent of the investments in bills of exchange obtained from London. And to this sum must be *added* the amount of the *floating balances* retained by the country bankers with their London correspondents and brokers.

Let us now turn our attention to the *London* branch of the question.

Including joint-stock banks, and omitting mere dealers in bullion and money changers, there are at present in London 35 City bankers, and 16 West End bankers. The published accounts of the joint-stock banks enable us to state with great accuracy the amount of capital employed by them in their business. And taking the accounts rendered to the 31st December, 1849, by the four principal joint-stock banks, the following is the result:—

TABLE IX.

London Joint-Stock Banks.—*Statement of the Assets of the Four Joint-Stock Banks in the Metropolis, whose operations are confined to London. Compiled from the Accounts of 31st December, 1849.*

Capital paid up.	Banks.	Government Securities, India Bonds, Exchequer Bills.	Discounted Bills, Advances, Bonds, &c.	Total Assets.
£		£	£	£
1,000,000	{ London and Westminster } Bank	973,691	3,844,777	4,818,468
422,900	Union Bank	Not stated.	3,337,135	3,337,135
600,000	London Joint Stock Bank	671,976	2,921,480	3,593,456
128,280	Commercial Bank, London....	Not stated.	699,580	699,580
2,151,180 Totals	1,645,667	10,802,972	12,448,639
537,795 Averages	822,833	2,700,743	3,112,159

The average total amount of assets, or of capital employed in these four instances, is as high as 3,112,159*l.* We cannot suppose, however, that a similar average would be afforded by an equally formal statement of the position, either of all the thirty-five City, or all the sixteen West-end bankers. It will be nearer the truth to assume an average of 1,250,000*l.* for each of the fifty-one establishments. And if to the result afforded by such a computation we add 10,000,000*l.* for the deposits of Insurance companies and others, in the hands of bill-brokers and large money dealers, it is probable that we shall at least obtain an approximate estimate of the magnitude of the Metropolitan Banking Fund.

The calculation will then stand thus:—at present excluding the Bank of England.—

35 City Bankers (Private and Joint-Stock) 1½ millions each, say £44,000,000	
16 West End do.	20,000,000

64,000,000

Insurance Office, &c., Deposits.....	10,000,000
--------------------------------------	------------

London Fund	74,000,000
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To this sum must be added say 12,000,000*l.* for the amount employed by the Bank of England—speaking generally—in *commercial* loans and discounts. And there must also be added the sum of 30,000,000*l.*, which we have already seen that the Country bankers contribute to the London money market, in exchange for the usual kind of bills; but this 30,000,000*l.* must *not* be increased for our present purpose by the *floating balances* of the Country bankers, because we have just reckoned those balances in the average sum of 1½ millions assigned to each of the fifty-one London bankers.

We have, therefore, a further summary of results, thus:—

London Fund, as before shown	£74,000,000
Bank of England.....	12,000,000

<i>Total</i> London Fund	86,000,000
Contributed by Country Bankers to London Fund	30,000,000

116,000,000

We have already estimated that—

(1.) The total amount of Bills under discount at one time	£
in <i>Great Britain</i> including London is	100,000,000
(2.) The amount of Bills under discount	
locally in Scotland is, say.....	£10,000,000
(3.) Ditto, England.....	12,000,000
	<hr/>
	22,000,000
Leaving	<hr/>
	78,000,000

as the amount of bills discounted from the *resources*, or by the *intervention* of London. Of this 78,000,000*l.*, we have seen that 30,000,000*l.* are carried off by the Country bankers, leaving us the amount discounted in London, purely by the aid of *London* resources, a sum of 48,000,000*l.* Of this 48,000,000*l.*, a sum of 5,000,000*l.* is generally taken by the Bank of England. The following, therefore, will be the conclusion.—

Bills (Inland and Foreign) under Discount at one time in Great Britain, including London.

I. *Discounted locally—*

In Scotland	£10,000,000
In England	12,000,000
	<hr/>
	22,000,000

II. *Discounted in London—*

With Country Funds	£30,000,000
By Bank of England	5,000,000
With London Funds	43,000,000
	<hr/>
	78,000,000

Total under discount at one time	£100,000,000
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We saw above, that the amount of capital at the command of the London bankers may be estimated at 64,000,000*l.*, and that the

deposits of Insurance companies, &c., might be taken at 10,000,000*l.* To this 10,000,000*l.*, we must add 33,000,000*l.*, to make the amount of 43,000,000*l.* employed in discounts. The greatest portion of this 33,000,000*l.* is no doubt furnished by the London bankers, either in direct discounts to their own constituents, or in indirect modes. But, if even 30,000,000*l.* was contributed by the bankers, there would still remain 34,000,000*l.* (64—30) to be employed by them in purchases of Government stock, in advances and loans upon various kinds of security, and in the maintenance of an adequate cash reserve.

We may now reduce to a general outline the results at which we have arrived by the aid of these computations.

At page 29, we reckoned only the 12,000,000*l.* generally employed by the Bank of England in *commercial* advances and discounts. In forming, however, an estimate of the whole of the funds engaged in the London money market, and employed in the various modes of investment and the various kinds of banking business common in the metropolis, it is obviously incumbent upon us to extend our view from that portion (12,000,000*l.*) of the resources of the Bank of England employed in exclusively commercial operations to the whole of the fund at the command of that body, whether furnished by the circulation or by the public and private deposits of the Bank of England. According to this view of the case, we must compute the share of the London fund belonging to the Bank of England, not at 12,000,000*l.*, but at 36,000,000*l.*

We may say, therefore, that, as far as we see at present, the whole of the fund constantly employed in the money market of London is composed as follows:—

	£
London Bankers	64,000,000
Deposits of Assurance Companies and others	10,000,000
Bank of England.....	36,000,000
Country Funds	30,000,000
	<hr/>
	£140,000,000

The principal kinds of employment which absorb the whole, or nearly the whole, of this very large sum, may be arranged thus:—

1. Bullion in Bank of England.
2. Investments in Government securities.
3. Investments in Bonds and other securities.
4. Advances to merchants on various securities and under various circumstances.

5. The discount of foreign and inland Bills of Exchange.

6. The maintenance by bankers and money dealers of adequate Reserves of coin and bank notes in their own hands.

The extent to which the Bullion in the Bank of England absorbs the 140,000,000*l.* is, of course, readily ascertained at any given date. I have not ventured to offer any estimate of the extent of any of the remaining five modes of employing these funds, with the exception of the fifth, viz., the sums engaged in discounting bills, and these sums I have, as already seen, estimated at 48,000,000*l.*, including in that amount 5,000,000*l.* from the Bank of England.

The following figures will represent the *per centage* proportions of the several constituent elements of the 140,000,000*l.*:—

	Per Cent.
London Bankers	45·71
Assurance Companies, &c.	7·14
Bank of England	25·71
Country Funds	21·44
	<hr/>
	100·00

It will be observed, from these figures, that a very considerable portion of the total amount is furnished by the Bank of England and by the Country bankers. Thus, the funds administered by the Bank of England amount to more than *one-half* of the sums furnished by all the other contributors in London to the general fund of 140,000,000*l.*, and the amount furnished by the Country bankers approaches very nearly to that furnished by the Bank of England.

Further, continuing our assumption that the amount of bills of exchange constantly under discount at one time is 100,000,000*l.*, the following figures will represent the *per centage* proportions of that sum furnished from the various quarters. Thus:—

<i>Bills under Discount.</i>	Per Cent.	Per Cent.
In Scotland	10	
In England (except London)	12	
	<hr/>	22
<i>In London—</i>		
With Country Funds	30	
By Bank of England	5	
With London Funds	43	
	<hr/>	78
		<hr/>
		100

We observe, again, in these figures, the considerable extent of the influence of the Bank of England and of the Country bankers. It appears, for instance, that, even in ordinary seasons, the discounts by the Bank of England are about *one-eighth* (5 to 43) of those absorbed by all other parties from London resources, and that of the total amount of discounts in London, more than three-fourths (30 to 78) are effected by funds obtained from the provinces.

X.—*Needful Corrections of Data furnished by Stamp Office; Series of Statistical Tables, containing general Results of the present Inquiry.*

In the former part of this paper I have very fully described the data upon which I have proceeded in my calculations, and the manner in which those calculations have been worked out. I now proceed to introduce certain tables, which exhibit the statistical results of this inquiry for the twenty years from 1828 to 1847 (both inclusive), embraced within it; and with reference to the *whole* of Great Britain, the *whole* of England, the *whole* of Scotland, and to the county of Lancaster, and the county of Chester.

I regret that the Stamp Office returns only enable me to give the bill currency for *England* and *Scotland* from 1832 to 1847 (both inclusive), and for Lancashire and Cheshire from 1830 to 1847 (both inclusive).

It will be convenient, before proceeding further, to introduce the following particulars from the Census of 1841 with reference to Lancashire and Cheshire.

TABLE X.

Lancashire and Cheshire.—*Extract from Census Returns of 1841 of certain Particulars relative to the Industry and Commerce of these Counties.*

	Commer- Trade, Manufac- ture.		Agricul- ture.		Labour- ers.		Domestic Servants.		Indepen- dent Means.		Alms- People.		Foregoing Cols.	Rest of People.
	L.	C.	L.	C.	L.	C.	L.	C.	L.	C.	L.	C.	L.	C.
Percent. on Total Occupa- tions	62·9	52·9	6·7	15·1	10·2	8·2	9·8	13·6	4·4	4·8	1·7	1·3
Percent. on Total Popula- tions.	28·1	23·5	3·	6·7	4·6	3·7	4·4	6·1	2·	2·1	·7	·6	44·6	55·4
<div style="display: flex; justify-content: space-between; margin-bottom: 5px;"> Area Acres. Population, 1841. </div> <div style="display: flex; justify-content: space-between;"> Lancashire 1,117,260 1,667,054 </div> <div style="display: flex; justify-content: space-between;"> Cheshire 649,050 395,060 </div>														

It is important that we should clearly understand that the Stamp Office returns of bill stamps sold in provincial towns and districts cannot be accepted with safety as correct indications of the true number of bills of exchange (inland and foreign) created in those provincial places. Upon all purchases of stamps (bill stamps among the rest) of a certain amount at the head office of the Board of Inland Revenue, at Somerset House, a certain rate of discount is allowed to the purchasers—I believe $1\frac{1}{2}$ per cent. Hence it happens that to all large consumers of bill stamps in the country there is a strong inducement, *not* to purchase the stamps they require of the *local* vendor, but to send for them direct from London. And this is actually done to a considerable extent from all parts of Great Britain, but, I believe, particularly from Lancashire. The effect upon the returns of bill stamps sold is therefore this—that the number of stamps sold *in London* is greater than the number of bills created in London; and that the number of stamps sold in the country, especially in Lancashire, is less than the number of bills created in the country, or in Lancashire.

It would be taking an exaggerated view, however, to suppose that the purchases of bill stamps in London by *country* merchants and manufacturers are so extensive as to deprive the actual accounts rendered by the Stamp Office of all value with reference to the bill circulation of the provinces. I am persuaded that even in their present form the Stamp Office accounts exhibit a very faithful outline of the country bill circulation; and I draw attention to the circumstance just stated, simply for the purpose of preventing misapprehension, and as a warning that 12,000,000*l.* must not be regarded as the *whole* amount of inland bills created in Lancashire.

We are now prepared to receive the following table (Table XI.), which exhibits the general results of the present inquiry in a statistical form.

[*Note to Table XI.*—In this table, the three 0's (000) at the unit end of each amount are omitted. Thus, 80,908 must be read 80,908,000*l.*, and 315 must be read 315,000*l.* The *average* lines will pretty clearly explain themselves. For example, 78,845,000*l.* is the average yearly amount of Inland Bills of Exchange in circulation at one time in Great Britain during the group or term of four years from 1828 to 1831, both inclusive; and passing to the last line of the table, we find that 93,473,000*l.* was, in like manner, the similar average for the whole of the twenty years embraced in the inquiry, that is, 1828-1847. These observations will explain the other lines of average sums. The columns of *per centages* may also be alluded to here. It will be seen that the whole of the per centages are measured from the General Averages of the table, as from a fixed datum line. Thus, selecting col. 2 (Great Britain), it appears that 80,908,000*l.* (year 1828) is 13·5 per cent. *less* than 93,473,000*l.*, the general average of col. 2; and also that 78,845,000*l.* (average 1828-31) is 15·6 per cent. *less* than the same sum of 93,473,000*l.* The *per centage* cols. also afford a ready means of ascertaining the difference per cent. between any two amounts in any of the cols. of the table, as far as these differences can be ascertained, by measuring throughout from a third and uniform number, found, in this instance, in the general average line of the table. Thus—still adhering to col. 2 (Great Britain)—it appears that the Inland Bill circulation of the year 1828 was 13·5 per cent. *below* the general average of the twenty years, and that the average circulation of 1828-31 was 15·6 per cent. *below* the same general average; and of course it is very apparent that, between the amounts of 80,908,000*l.* (year 1828) and 78,845,000*l.* (years 1828-31), there is a difference of 2·1 per cent., as measured from a fixed point. I have been thus careful in my reference to the reading and construction of this table, because what has now been said will apply to several subsequent tables of the same character.]

Of the detailed results contained in the last table (Table XI.) the following abstract of the average bill circulation of the six *groups* or terms of years into which the twenty years 1828-1847 have been divided, will be found convenient.

TABLE XII.

Average *Total Amounts of Inland Bills in Circulation* at one time *during the following Terms of Years; and also during the whole of the Twenty Years 1828-47, with columns of Per Centages above or below the general average of the table.*

INLAND BILLS.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Years.		Great Britain.			England.			Scotland.			Lancashire.			Cheshire.		
No.		£	—	+	£	—	+	£	—	+	£	—	+	£	—	+
4	1828—31 ...	78,845	15·6	6,474	40·1	...	321	26·4	...
4	1832—35 ...	78,824	15·7	...	64,916	18·	...	13,999	19·5	...	8,159	24·4	...	343	21·3	...
3	1836—38 ...	99,440	...	6·4	82,066	...	3·7	16,321	6·1	...	13,345	...	14·3	544	...	21·8
4	1839—42 ...	107,534	...	15·	87,189	...	10·2	19,285	...	10·9	13,424	...	21·3	480	...	10·1
4	1843—46 ...	99,306	...	6·2	80,890	...	1·6	18,176	...	4·3	11,816	...	9·3	462	...	6·
1	1847	113,161	...	21·	89,859	...	13·5	23,285	...	33·9
20	General Avg.	93,473	79,127	17,380	10,798	436

The three 000 on the right of the above sums are omitted. Thus, for example, 78,845 represents £78,845,000, and 321 represents £321,000.—See Note to Table XI., above.

I continue these statistics by introducing next in order the following three tables (Tables XIII., XIV., and XV.), which contain a statement in detail of the bill circulation from 1828 to 1847, in the form in which it appears, when the general mass of bills is divided into the Three Groups (I., II., III.) described at some length in the early part of the paper (see pages 150 and 152, *ante*). It will be my duty in the next general division of the subject to discuss at some length the facts contained in the series of tables which occur in this part of the paper.

TABLE XIII.

Inland Bills.—Group I.—(consisting of Bills of the Average Amount of £21·1 each, and an Average Usance of 2·7 months each; and ranging from £15·2 to £28·9, as by “Bankers’ Returns,” at page 150)—Total Amount of Inland Bills of this Group in circulation at one time in Great Britain and the parts of it as under, during the Twenty Years 1828—1847, both inclusive; with columns of the Per Centage above or below the General Average of the Bill Circulation in Group I. of each year.

GROUP I.

Years.	Great Britain.			England.	Scotland.	Lanca- shire.	Cheshire.
	£	— Per Cnt.	+ Per Cnt.	£	£	£	£
1828.....	7,076	12·3
1829.....	7,025	11·5
1830.....	6,677	6·	222	27
1831.....	6,569	4·2	201	29
Average	6,837	8·5	212	28
1832.....	6,288	·2	5,006	1,281	196	25
1833.....	6,304	5,461	1,242	168	26
1834.....	5,900	6·4	4,673	1,226	166	24
1835.....	6,067	3·7	4,894	1,172	178	24
Average	6,139	2·6	5,008	1,230	177	25
1836.....	6,283	·3	5,146	1,175	187	32
1837.....	6,417	1·8	5,159	1,255	215	44
1838.....	6,435	2·1	5,160	1,271	213	44
Average	6,378	1·2	5,155	1,234	205	40
1839.....	6,588	4·5	5,237	1,325	223	48
1840.....	6,710	6·5	5,387	1,321	239	46
1841.....	6,589	4·5	5,308	1,280	234	44
1842.....	6,368	1·	5,123	1,241	205	46
Average	6,564	4·1	5,264	1,292	225	46
1843.....	5,514	12·5	4,986	1,127	192	48
1844.....	5,947	5·6	4,886	1,058	172	43
1845.....	5,904	6·3	4,875	1,027	194	47
1846.....	5,889	6·6	4,881	1,008	219	46
Average	5,813	7·8	4,907	1,055	194
1847.....	5,961	5·4	4,966	992
Average of } whole Table)	6,325	5,070	1,188	201	32

The three 0's (000) at unit end are omitted.—See Note to Table XI., page 176.

TABLE XIV.

Inland Bills.—Group II.—(consisting of Bills of the Average Amount of £140·4 each, and the Average Usance of 3·6 months each; and ranging from £46·1 to £284, by “Bankers’ Returns,” at page 150)—Total Amount of Inland Bills of this Group in circulation at one time, 1828—1847, as explained in title of Table XIII.

GROUP II.

Years.	Great Britain.			England.	Scotland.	Lancashire.	Cheshire.
	£	— Per Cent.	+ Per Cent.	£	£	£	£
1828	35,833	2·3
1829	34,231	2·2
1830	32,618	6·9	2,236	135
1831	33,737	3·7	2,182	145
Average	34,105	2·6	2,209	140
1832	32,099	8·3	25,608	6,488	2,151	133
1833	34,352	1·9	27,641	6,710	2,049	147
1834	33,080	5·5	26,392	6,686	2,159	135
1835	34,115	2·6	27,638	6,473	2,425	165
Average	33,411	4·6	26,820	6,589	2,196	145
1836	38,065	8·7	31,436	6,892	2,569	198
1837	36,909	5·4	29,945	6,962	2,749	246
1838	37,900	8·2	30,666	7,242	2,852	270
Average	37,625	7·5	30,682	7,032	2,723	238
1839	41,900	19·7	33,776	8,143	3,333	294
1840	41,826	19·4	33,905	7,920	3,297	249
1841	39,847	13·8	31,918	7,912	3,093	221
1842	34,653	1·	28,142	6,508	2,538	207
Average	39,556	13·	31,935	7,621	3,065	243
1843	32,286	7·8	26,421	5,863	2,276	211
1844	33,272	5·	27,451	5,817	2,117	228
1845	35,913	2·6	29,648	6,244	2,237	256
1846	36,622	4·6	29,786	6,830	2,369	271
Average	34,523	1·4	28,327	6,189	2,249	242
1847	36,768	5·	30,038	6,721
Average of } whole Table }	35,801	29,401	6,838	2,502	206

The three 0's (000) at unit end are omitted.—See Note to Table XI., page 176.

TABLE XV.

Inland Bills.—Group III.—(consisting of Bills of an Average Amount of £1965·8 each, and an Average Usance of 3·8 months each; and ranging from £428·5 to £4505·8, by “Bankers’ Returns,” at page 150)—Total Amount of Bills of this Group in Circulation at one time, 1828—1847, as explained in title to Table XIII.

GROUP III.

Years.	Great Britain.			England.	Scotland.	Lanca- shire.	Cheshire.
	£	— Per Cnt.	+ Per Cnt.	£	£	£	£
1828.....	37,999	25·6
1829.....	37,690	26·1
1830.....	34,739	32·	3,814	153
1831.....	41,184	19·3	4,293	153
Average	37,903	25·8	4,053	153
1832.....	33,828	33·7	27,992	5,834	4,393	144
1833.....	39,933	21·8	33,791	6,140	5,223	166
1834.....	39,569	22·5	33,262	6,291	6,076	168
1835.....	43,760	14·2	37,307	6,453	7,452	214
Average	39,272	23·	33,088	6,179	5,786	173
1836.....	61,214	20·	50,007	7,756	9,379	225
1837.....	51,709	1·3	43,804	7,902	9,573	261
1838.....	53,387	4·6	44,877	8,507	9,298	312
Average	55,437	8·6	46,229	8,055	9,417	266
1839.....	64,631	26·7	54,101	10,528	12,137	287
1840.....	67,783	32·9	52,807	10,828	10,831	183
1841.....	61,467	20·5	50,341	11,124	9,327	171
1842.....	51,730	1·4	42,713	9,012	8,251	126
Average	61,403	20·3	49,990	10,373	10,136	192
1843.....	49,859	2·3	38,631	8,477	7,770	121
1844.....	51,785	1·5	42,673	8,347	8,783	136
1845.....	64,213	25·9	52,047	12,165	10,224	199
1846.....	70,021	37·2	55,277	14,742	10,711	242
Average	58,970	15·6	47,157	10,933	9,372	174
1847.....	70,432	38·1	54,855	15,572
Average of whole Table	51,046	44,649	9,354	8,090	191

The three 0's (000) at unit end are omitted.—See Note to Table XI., page 176.

XI.—*Foreign Bills* (i.e., *Bills drawn upon Great Britain*); *Method of ascertaining the Amount of these in Circulation at one time; General Table exhibiting the Results of Mr. Leatham's Researches, and also the Results, in a general Form, of the present Inquiry.*

The tables introduced so far exhibit the circulation of *Inland* bills of exchange, that is, of bills (as explained in the early part of the paper—see page 145) *drawn and accepted* in some part of *Great Britain*, and bearing the stamp duties imposed by the Act of 55 Geo. III., cap. 184. Of these bills the returns of the Stamp Office enable us to take an accurate account at least as to *number*. But besides these *inland* bills there are in circulation, to a large amount, other bills of exchange, called *Foreign Bills*, *drawn* out of the *United Kingdom, upon Great Britain*, and *accepted* and payable within Great Britain. I have already explained that these *foreign* bills bear *no* British stamp duty, and are *not* included, therefore, in the returns issued by our Board of Inland Revenue. The only way in which any estimate can be formed of the amount of *foreign bills* in circulation at one time is by instituting very careful inquiries relative to the proportion borne by the amount of foreign bills to the amount of inland bills in the course of actual business transactions of considerable magnitude.

Mr. Leatham* instituted such inquiries with great judgment, and he came to the conclusion that the *foreign* bills in circulation at one time might be assumed to be equal to *one-sixth* of the *inland* bills in circulation at one time; that is to say, that if the *inland* bills amounted to 90,000,000*l.*, the *foreign* bills would amount to 15,000,000*l.*, making the *total* bill circulation, according to such a supposition, 105,000,000*l.*

I have endeavoured to follow up the researches of Mr. Leatham on this point, and all the evidence I have been able to collect quite impresses me with the belief that Mr. Leatham's estimate of *one-sixth*, as the proportion borne by the foreign to the inland bills, is very near the truth.

In the returns furnished to me by the five banking houses, the facts with reference to foreign bills were these (see Table III, page 8.)

The five bankers' returns contained a

Total number of	4,367 Bills.
Of these Bills there were, of	
Foreign Bills.....	834
Inland	3,533
	<hr/> 4,367

And passing from the *number* of bills to the *amount* in sterling represented by them, the facts were these—

Total Amount	£1,216,884
Inland Bills	£936,440
Foreign ,,	280,444
	<hr/> 1,216,884

* "My next step to ascertain the proportion of *foreign* bills circulating, to the whole mass of the *inland* bills, has been attended with more difficulty; but in the absence of other concurring testimony I have to rest on the return kindly furnished by the leading Bill Brokers' firm in the City of the result of seven days' business, and I find it is *one-fifth*: but, to err on the safe side, I take it at *one-sixth* of the whole of the *Inland* Bills."—Leatham's First Series, p. 55.

The proportion, therefore, borne by the *foreign* to the *inland* bills, as shown by the 4,367 observations of the bankers' returns will be expressed by the following *per-centages* of the *numbers* and the *amounts*. Thus—

	Amount. Per Cent.	Number. Per Cent.
Inland Bills.....	76·96	91·14
Foreign Bills	23·04	18·86
	100·	100·

These figures exhibit the *foreign* bills as bearing to the *inland* bills the proportion of rather less than *one-third* as to *amount*, and of *one-fifth* as to *number*.

I am by no means sure, however, that the facts contained in the bankers' returns can be received with safety as a fair sample of the general bill circulation of the country as regards foreign bills; and I prefer to adopt the conclusion of Mr. Leatham (*one-sixth*), because the tenour of my own general observation is most in consonance with it, and because there are other reasons in its favour, which I will endeavour to point out.

In the first place, the general result of 23·04 *per cent.* on the total *amount* of bills contained in the bankers' returns, is the medium expression of very wide departures from an average result. I omit the names of the firms, but the following are the figures :—

Per Centages of the Amount of Foreign Bills in the several Bankers' Returns when compared with the Amount of Inland Bills.

Return.	Foreign Bills.
A	10·5 per cent. of Inland Bills.
B	46·6 " "
C	17·7 " "
D	31·9 " "
E	35· " "

In the next place, by assuming *one-sixth* as the proportion of *foreign* bills, we should have generally to assume the existence of about 17,000,000*l.* of such bills, as being in circulation at one time; and as the usage of this kind of paper may be stated generally to be *three months*, it would follow that the amount of foreign bills drawn upon this country in the course of a year would be about 68,000,000*l.*—a sum which approaches near to what we know to be the value of our imports, although, as will appear from a subsequent section of this paper, an apparently corroborative circumstance of this nature can only be received subject to several important reservations. At the same time, I am quite ready to admit that the highly important question of the exact proportion borne by the foreign to the inland bills of exchange in circulation has yet to be settled. Till further evidence be collected, I have taken the proportion at *one-sixth*, as it was taken by Mr. Leatham.

It is to be observed, however, that, from the nature of the calculations by which we arrive at any estimate whatever of the amount of *foreign* bills in circulation at one time in Great Britain, we are compelled to rest satisfied with a result which applies equally to each of a series of years, notwithstanding that in many of these years, it is quite certain that the amount of the foreign bill currency was either more or less than the amount of the same currency in the immediately preceding or subsequent, or some other year of the series. For example, I have pointed out that the best evidence we can collect seems to warrant the conclusion that the proportion of the foreign to the inland bills is one-sixth; then it is plain that a general rule of this nature, when applied to a series of years, makes the *estimated* amount of the foreign bills in each year depend absolutely on the *ascertained* amount of inland bills in that year, notwithstanding that the rule of one-sixth was adopted at a former period, when, perhaps, the circumstances of the import trade of this country might be different from what they were in subsequent years. In a few words, while we have the means of ascertaining the fluctuations of the *inland bills from year to year* with accuracy, we have no such means of forming a statistical table of the fluctuations of *foreign bills* from year to year.

It is only needful to add here, with reference to *foreign bills*, that the 834 of such bills included in the bankers' returns gave 336·2*l.* as the *average amount*, and 3·2 months as the *average usance* of foreign bills.

The only remaining point to be explained before introducing the following table has reference to the drafts by Country bankers in Great Britain, drawn upon their London correspondents. The stamp duty on these drafts or bills is compounded for by the Country bankers along with the stamp duty on the ordinary country-bank notes issued by them and payable to *bearer* on demand. Mr. Leatham estimated that the amount of *bankers' drafts* might be taken at *one-sixth* of the amount of country-bank notes in circulation. This would give but an inconsiderable sum (about 500,000*l.*), and I have not attempted to include it in the calculations of this paper. It was included, however, by Mr. Leatham, as will be seen from the following table (Table XVI.).

That table also brings into one view the results of the present paper, both as regards the numerical facts and the length of time over which the investigation extends; and it places these results in juxtaposition with the conclusions arrived at by Mr. Leatham for the whole portion of the same period to which his researches extended.

TABLE XVI.

Total Amount of Bills, Inland and Foreign, in circulation at one time for the periods embraced in the present Inquiry and in Mr. Leatham's Tables.

Present Inquiry.				By Mr. Leatham's Tables.					
Years.	Great Britain. — Inland Bills.	Add one-sixth for Foreign Bills.	Total of Bills in Circulation at one time in Great Britain.	Great Britain. — Inland Bills.	Ireland. — Inland Bills.	Banker's Drafts.	Total (Inland) of Great Britain, Ireland, & Banker's Drafts.	Add one-sixth for Foreign Bills.	Total of Bills in Circulation at one time in United Kingdom.
	£	£	£	£	£	£	£	£	£
1828	80,908	13,485	94,393
1829	78,946	13,156	92,102
1830	74,034	12,339	86,373
1831	81,490	13,582	95,072
			91,985						
1832	72,215	12,036	84,351	89,038
1833	80,589	11,765	92,254	95,914
1834	78,549	13,091	91,640	94,788
1835	83,942	13,974	97,916	73,693	12,777	401	86,871	14,480	101,350
			91,540						
1836	105,562	17,592	123,154	88,822	14,788	519	104,129	17,338	121,485
1837	95,035	15,840	110,875	83,317	13,544	656	97,517	16,253	113,771
1838	97,722	16,287	114,009	85,486	13,589	674	99,749	16,625	116,376
			116,016						
1839	113,119	18,853	131,972	98,550	13,903	794	113,247	18,875	132,123
1840	116,319	19,387	136,706
1841	107,903	17,984	125,887
1842	92,751	15,458	108,209
			125,693						
1843	87,659	14,609	102,268
1844	91,004	15,167	106,171
1845	106,030	17,671	123,701
1846	112,532	18,755	131,287
			120,857						
1847	113,161	18,860	132,021
			110,018						

The three 0's (000) at the unit end are omitted.—See Note to Table XI., page 176.

[The remainder of this Paper will appear in the next number of the Journal, to be published in August.]